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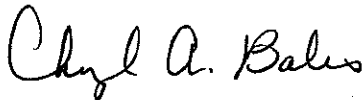
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State of Tennessee, Division of County Audit
Suite 1500, James K. Polk State Office Building
Nashville, TN 37243-0269

In accordance with our contract to audit accounts of Sevier County Emergency Communications District, we are enclosing two copies of the financial statements for the years ended June 30, 2008 and 2007. An electronic copy of these financial statements is also being e-mailed to David Sturtevant.

Should further information be needed, please let us know.



Cheryl A. Bales, CPA

Enclosure

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF SEVIER COUNTY

Sevierville, Tennessee

FINANCIAL STATEMENTS

June 30, 2008 and 2007

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

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SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS

BOARD OF DIRECTORS FOR 2007 – 2008:

• Jack Baldwin	Pigeon Forge Chief of Police	Chairman of Board
• Mike Rawlings	Sevierville Fire Chief	Vice-Chairman
• Larry Waters	County Mayor	Treasurer
• Ron Seals	Sevier County Sheriff	Board Member
• Don Myers	Sevierville Chief of Police	Board Member
• Randy Brackins	Gatlinburg Chief of Police	Board Member
• Gene Byrd	County Commissioner	Board Member
• Fred Atchley, Jr.	County Commissioner	Board Member
• Steve Huskey	Sevier County Ambulance Authority	Secretary

MANAGEMENT OFFICIALS FOR 2007 – 2008:

• Vince Loveday	District Coordinator
• Alene Galyon	Office Manager

Note: The resolution establishing the Sevier County Emergency Communications District, passed by Sevier County Board of Commissioners on January 19, 1987, states that the nine (9) members of said Board of Directors shall consist of the County Mayor of Sevier County, two members of the Sevier County Board of County Commissions, the Sheriff of Sevier County, three representatives – one from each of the three Cities of Gatlinburg, Pigeon Forge and Sevierville, a person selected by the fire departments receiving contributions from Sevier County and one person from a local Ambulance Authority. Elected officials currently serving on the board include the County Mayor, County Commissioners and the Sevier County Sheriff.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

FINANCIAL HIGHLIGHTS

- District assets exceeded liabilities by \$2,053,707 for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,581,416 showing an increase of \$472,291 during the current year.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$940,209 includes property and equipment, net accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Unrestricted net assets of \$1,131,498 represent the portion available to maintain the District's continuing obligation to the Sevier County residents and creditors.
- Total revenues for the year were \$1,131,854 compared to \$956,084 in the prior year.
- Total expenses for the year were \$659,563 compared to \$642,521 in the prior year.
- Total liabilities of the District increased by \$1,856 to \$13,272 during the fiscal year. There were no long term liabilities at the end of the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include: (1) Statement of Net Assets; (2) Statement of Revenues, Expenses and Changes in Fund Net Assets, (3) Statement of Cash Flows, and (4) Notes to the Financial Statements. The District also includes in this report additional information to supplement the basic Financial Statements.

The Statement of Net Assets is a statement of position presenting information that includes all of the District's assets and liabilities, with the differences reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors, such as county population changes or advances in communications technology, in addition to the financial information provided in this report.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. This statement is designed to show the financial reliance of the District's activities on revenues provided by Emergency Telephone Service Charges during the operating period.

The Statement of Cash Flows traces the effects that the fiscal year financial events had on the balance of cash in District accounts. It is useful in planning major purchases or retirement of debt, but is not a measure of net income or loss.

The Notes to the Financial Statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the District's budgeted vs. actual financial results for the fiscal year. Other supplementary information includes detailed expenses, insurance coverage, and public safety answering point and communications district information. Supplementary information follows the notes to the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is: "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets reports information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health of the organization. Over time, increases or decreases in the District's net assets are one-indicator of whether its financial health is improving or deteriorating. As can be seen from the financial information on page 7, the District's net assets have increased approximately \$472,291 during the year ended June 30, 2008. The District completed the year with net assets of \$2,053,707.

Budgetary Highlights

The District adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Differences between the original budget and the final amended budget were relatively minor, and resulted in additional appropriations for the District as a whole. The Schedule of Revenues and Expenses and Changes in Fund Balances Budget to Actual (Budget Basis) is found in the supplementary information section of this report on page 17. It details the amended budget, and actual revenues and expenditures, as well as variances from the final amended budget.

Capital Assets

The District's investment in capital assets amounts to \$2,130,253 with accumulated depreciation of \$1,190,044. Capital assets include the building, communications equipment, vehicles and office furniture and equipment.

Major investments in capital assets approved during the 2007-2008 fiscal year included the following:

- August 13, 2007, the Board approved the purchase of three antennas that are required for communications with Northview Fire Department, Waldens Creek Fire Departments and Wears Valley Fire Department, at a cost of \$867.
- September 10, 2007, the Board approved the purchase of Moducom Equipment for Sevier County Central Dispatch at a price not to exceed \$300,000. This will provide Central Dispatch with seven (7) workstations and the need of 32 radio cards.
- January 14, 2008, the Board approved the purchase of one Ultracom NT Position Workstation Electronic for Central Dispatch, which includes six (6) 17-inch flat panel 1280X1024 LCD monitors (Viewsonic-black), seven (7) speaker phones at a cost of \$10,000.
- March 10, 2008, the Board approved the purchase of Moducom 9-1-1 phone equipment for Gatlinburg and Pigeon Forge Police Departments and the Sevier County Sheriff's Department, which included a second year of warranty at an annual cost of \$2,500 per PSAP, at a total cost of \$342,609.90.
- January 10, 2008, the Board approved to purchase spare parts for the Moducom 9-1-1 phone equipment at a cost of \$8,022.84.
- April 14, 2008, the Board approved Sevier County Emergency Communications District to participate in the Re-fly Ortho Project offered by the State of Tennessee at a cost of \$4,375.
- April 14, 2008, the Board approved reimbursement to the Sevierville Police Department for their recent purchase and installation of Moducom 9-1-1 phone equipment at a cost of \$110,500.
- June 9, 2008, the Board approved to replace the current YAGI antennas on the tower with 450-470 MHZ OdB fiberglass omni-directional base station antennas at a cost not to exceed \$10,000.

Capital expenditures of \$643,000 have been budgeted for the upcoming fiscal year to cover office equipment and GIS mapping and addressing upgrades for PSAP's, controllers, telephone systems, back-up generators, TDD equipment, uninterrupted power supplies and radios.

Economic Factors and Future Needs

The main economic factor facing the Sevier County Emergency Communications District is the decrease in revenue generated from land line telephones. Many now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of land line use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate the monthly losses of land line revenue may be stabilizing and remain at a more manageable level in the future.

The Tennessee Emergency Communications Board began the process of developing a plan to assist districts with declining land line revenue and ameliorate the inequities arising from distribution of the wireless service charge solely by population. Under a plan unanimously adopted by the board in April 2006, each district will receive \$150,000 for the purchase of equipment that is essential and necessary for the operation of a 9-1-1 call center. Also on October 31, 2006, the Tennessee Emergency Communications Board (TECB), voted to adopt a new operational funding program for Emergency Communications Districts (ECD). The TECB will distribute \$14 million dollars per year to the Districts as a contribution to the District's operating expenses, in furtherance of the statutory directive to distribute excess revenue for the purposes of promoting uniform 9-1-1 service, assuming fund availability. The annual distribution will not be reduced except by unanimous vote of the Board. The distribution may be increased by a simple majority vote of the Board. This will result in a \$176,619 annual distribution to Sevier County Emergency Communications District (SCECD).

No greater concerns face the local emergency communications districts than those posed by emerging telecommunications technologies such as Voice of the Internet Protocol ("VoIP"). As our nation faces the challenges of developing the proper legal and regulatory framework to address VoIP and emerging telecommunications technologies, the Board unanimously voted to commence a feasibility study on implementing a network unconstrained by the thirty year old analog technology that currently underlies much of our infrastructure. In addition, at the Board's request, the General Assembly passed a bill authorizing the Board to assist in the deployment of technology to upgrade the State's emergency communications system and infrastructure to assure that it has the capacity to adapt and move beyond wireless as new technologies that connect to 911 emerge.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sevier County Emergency Communications District
Sevierville, Tennessee

We have audited the accompanying financial statements of the Sevier County Emergency Communications District, a component unit of Sevier County, as of, and for the years ended, June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Sevier County Emergency Communications District and do not purport to, and do not, present fairly the financial position of the County of Sevier, Tennessee as of June 30, 2008 and 2007, and the changes in its financial position of the years ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sevier County Emergency Communications District as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 thru 4 is not part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Sevier County Emergency Communications District taken as a whole. The supplementary data included in the schedules on pages 17-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Sevier County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Sevier County Emergency Communications District
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2008 on our consideration of the Sevier County Emergency Communications District's compliance and internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hickman and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
October 29, 2008

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
STATEMENT OF NET ASSETS
June 30, 2008 and 2007

- ASSETS -**Current Assets:**

	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents (Note 2)	\$1,035,100	\$855,396
Accounts Receivable (Note 3)	86,366	85,165
Accrued Interest Receivable	1,079	0
Prepaid Expenses	4,680	4,521
<u>Total Current Assets</u>	<u>\$1,127,225</u>	<u>\$945,082</u>

Fixed Assets: (Notes 1 and 5)

Buildings and Improvements	\$693,561	\$678,324
Furniture and Fixtures	74,332	68,715
Equipment	1,312,922	941,439
Vehicles	49,438	49,438
	<u>\$2,130,253</u>	<u>\$1,737,916</u>
Less: Accumulated Depreciation	<u>(1,190,044)</u>	<u>(1,090,121)</u>
<u>Total Property and Equipment</u>	<u>\$940,209</u>	<u>\$647,795</u>

TOTAL ASSETS

<u>\$2,067,434</u>	<u>\$1,592,877</u>
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- LIABILITIES -**Current Liabilities:**

Accounts Payable	\$6,093	\$3,294
Compensated Absences Payable (Note 1)	7,634	8,167
<u>Total Current Liabilities</u>	<u>\$13,727</u>	<u>\$11,461</u>

TOTAL LIABILITIES

<u>\$13,272</u>	<u>\$11,461</u>
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Net Assets

Invested in Capital Assets	\$940,209	\$647,795
Unrestricted Net Assets	1,113,498	933,621
<u>TOTAL NET ASSETS</u>	<u>\$2,053,707</u>	<u>\$1,581,416</u>

The accompanying notes are an integral part of these financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2008 and 2007

	2008	2007
<u>OPERATING REVENUES:</u>		
Emergency Telephone Service Charge	\$578,071	\$576,652
State Emergency Communications Board – Shared Wireless Charge	164,197	149,838
Other Operating Revenues	176,969	177,141
<u>Total Operating Revenues</u>	<u>\$919,237</u>	<u>\$903,631</u>
<u>OPERATING EXPENSES:</u>		
Salaries and Wages	\$199,014	\$188,091
Employee Benefits	67,547	65,090
Contracted Services	220,813	214,602
Supplies and Materials	41,621	38,338
Other Charges	30,645	33,161
Depreciation	99,923	103,239
<u>Total Operating Expenses</u>	<u>\$659,563</u>	<u>\$642,521</u>
<u>Operating Income</u>	<u>\$259,674</u>	<u>\$261,110</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Interest Income	\$40,350	\$14,720
State Emergency Communications Board – Grants and Reimbursements	172,267	37,733
<u>Total Non-Operating Revenues (Expenses)</u>	<u>\$212,617</u>	<u>\$52,453</u>
Net Income for the Year	\$472,291	\$313,563
NET ASSETS, BEGINNING OF YEAR	<u>1,581,416</u>	<u>1,267,853</u>
NET ASSETS, END OF YEAR	<u>\$2,053,707</u>	<u>\$1,581,416</u>

The accompanying notes are an integral part of these financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007

<u>Cash Flows from Operating Activities:</u>	<u>2008</u>	<u>2007</u>
Cash from Emergency Telephone Service Charge	\$579,194	\$570,341
Cash from State Emergency Communications Board – Shared Wireless Charge	161,871	146,984
Cash from Map Sales and Other Operating Revenues	176,971	177,141
Cash Payments to Employees and Professional Contractors for Services	(488,221)	(467,021)
Cash Payments to Suppliers for Goods and Services	(72,550)	(71,422)
 <u>Net Cash Provided by Operating Activities</u>	 <u>\$357,265</u>	 <u>\$356,023</u>
 <u>Cash Flows from Non-Capital Financing Activities:</u>		
State Emergency Communications Board – Grants and Reimbursements	\$172,267	\$37,733
 <u>Cash Flows Used by Capital and Related Financing Activities:</u>		
Purchase of Property and Equipment	(389,099)	(49,002)
 <u>Cash Flows from Investing Activities:</u>		
Interest Income	\$39,271	\$14,720
 NET INCREASE (DECREASE) IN CASH	 \$179,704	 \$359,474
 CASH, BEGINNING OF YEAR	 855,396	 495,922
 CASH, END OF YEAR	 <u>\$1,035,100</u>	 <u>\$855,396</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
 <u>Operating Income:</u>	 \$259,674	 \$261,110
 <u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>		
Depreciation and Amortization	99,923	103,239
Accruals Related to Fixed Asset Purchases	3,238	967
(Increase) Decrease in Accounts Receivable	(1,200)	(9,165)
(Increase) Decrease in Prepaid Expenses	(159)	196
Increase (Decrease) in Accounts Payable	(3,678)	(1,086)
Increase (Decrease) in Compensated Absences Payable	(533)	762
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 <u>\$357,265</u>	 <u>\$356,023</u>

The accompanying notes are an integral part of these financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

STATEMENT OF CASH FLOWS (CONT)

For the Years Ended June 30, 2008 and 2007

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

The District purchased \$392,337 and \$49,002 in furniture, equipment, and software during the fiscal years ended June 30, 2008 and 2007 in conjunction with these acquisitions, accounts payable at June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Cash Paid for Assets Acquired	\$389,099	\$48,035
Fair Market Value of Assets Acquired	<u>392,337</u>	<u>49,002</u>
(Increase) Decrease in Accounts Payable	<u>\$3,238</u>	<u>\$967</u>

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

The Organization – The Sevier County Emergency Communications District, commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the Sevier County Court in February, 1987, after adoption by public referendum in November, 1986. Under its enabling legislation, the District is a municipality with powers of perpetual succession, but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors of the District. The District is a component unit of Sevier County, whereby the County is financially accountable for the District, as well as required by law to appoint a voting majority to the Board of Directors.

Fund Accounting and Basis of Accounting – The financial statements of the Sevier County Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

The District's accounts are organized on the basis of fund accounting. The entity is a Proprietary Fund type known as an Enterprise Fund.

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses), in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non exchange transactions and ancillary activities.

Budgets and Budgetary Accounting – As set forth in the Tennessee Code Annotated Section 7-86-120, Sevier County Emergency Communications District formally adopts an annual budget. The budget is prepared on a modified cash basis. Certain capital expenditure items are included as an item of expense. Revisions to the budget were approved by the Board of Directors as changes became necessary throughout the year. For the year ended June 30, 2008, the budgeted expense was \$1,146,100. Anticipated revenues were \$1,146,100 at original budget date. All unencumbered annual appropriations lapse at fiscal year-end. A Statement of Revenue, Expenses and Changes in Fund Net Assets, Actual Compared to Budget, is presented in the supplemental information. This statement reconciles the modified cash basis budget to the accrual basis presentation of the financial statements.

Compensated Absences – The entity allows employees to accumulate unused sick leave of an unlimited amount. This can be credited toward retirement (See Note 6). Earned vacation time is generally required to be used within one year of accrual.

As of June 30, 2008 and 2007, respectively, the liability for earned vacation time accrued was \$7,634 and \$8,167.

Property and Equipment – Property, equipment and buildings are stated at cost less accumulated depreciation, computed on the straight-line method over the estimated useful lives as follows: equipment, five to ten years; automobile, five years; building, thirty-nine years.

Statement of Cash Flows – Sevier County Emergency Communications District considers, for the purposes of the Statement of Cash Flows, all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – CASH –

The District's cash funds, except for a nominal amount of petty cash, are deposited, at its own discretion, in checking accounts and certificates of deposit at local depository banks.

At June 30, 2008 and 2007 respectively, the carrying amount of the District's certificates of deposit were \$663,867 and \$635,954 and the bank balances were \$371,233 and \$219,441. All deposits during the two-year period covered by this audit were collateralized by The State of Tennessee Bank Collateral Pool for balances over the FDIC insured amount of \$100,000. The following is disclosed concerning cash depository accounts:

- a. Name of bank.
 - b. Amount of security pledged as of the date of highest balance on deposit.
 - c. Largest cash, savings and time deposit combined amount and month of occurrence.
 - d. Total amount of FDIC coverage at the time of largest combined balance.
-
- a. Citizens National Bank
 - b. All governmental funds collateralized by State of Tennessee Collateral Pool.
 - c. \$682,856, March, 2008
 - d. \$100,000.00
-
- a. Tennessee State Bank
 - b. All governmental funds collateralized by State of Tennessee Collateral Pool.
 - c. \$650,147, December, 2007
 - d. \$100,000.00

The Sevier County Emergency Communication District, in accordance with Tennessee Code Annotated Section 5-8-301, is allowed to invest idle district funds based on the maximum extent of return without loss of principal for a period of no more than two years. The District's investments are placed in certificates of deposit through a Tennessee state chartered bank and are secured at 100% by the Treasurer, State of Tennessee Bank Collateral Pool.

NOTE 3 – REVENUE AND SUPPORT –

Revenue – The District's primary source of revenue is a surcharge on Sevier County telephone service collected by Telephone Service Providers in accordance with Tennessee Code Annotated Section 7-86-108. This surcharge may be levied for Sevier County Emergency Communications Districts by Telephone Service Providers up to a maximum of \$.65 per month for residence-classification users and \$2.00 per month for business-classification users. Effective May 20, 1993, Tennessee Code Annotated Section 7-86-108 was amended to allow rates to be increased to exceed the maximum stated above; however, this must be done by the Board of Directors of emergency communications districts calling a referendum. If approved, the maximum monthly charges cannot exceed \$1.50 for residential users or \$3.00 for business users. Not more than one referendum may be held in any 24-month period. During the fiscal years ended June 30, 2008 and 2007, total operating revenues in the amount of \$922,780 and \$906,303 were earned from telephone surcharges. Surcharges in the amount of \$3,894 and \$3,194 were uncollectible at June 30, 2008 and 2007, respectively. Emergency Telephone Surcharge revenue is shown net of these uncollectible amounts.

The District receives surcharge revenue from BellSouth Telephone Company prior to their December, 2007 acquisition by AT&T, AT&T Communications, USLEC of TN, Inc., Nuvox Communications, ITC Deltacom, Charter Fiberlink TN, LLC, Birch Telecom, and 32 other telephone service providers as well as the State of Tennessee (cell phones).

The accounts receivable balance at June 30, 2008 and 2007, \$86,366 and \$85,165 respectively, represents net amounts of \$32,786 and \$34,072 due from AT&T for the surcharge on Sevier County telephone services for the month of June, \$28,640 and \$26,314 due from the State of Tennessee for cell phone revenue as well as \$24,940 and \$24,779 in revenue from other sources.

Support – An undetermined amount of operating support was received during the fiscal years ended June 30, 2008 and 2007 from various law-enforcement agencies or departments located in Sevier County. This support is in the form of personnel costs to receive and handle the calls to Emergency 911. Sevier County is divided into emergency service number (ESN) boundaries and the service number from which the call is being placed determines which Public Safety Answering Point (PSAP) would receive the call. At June 30, 2008, all phone services in Sevier County had been addressed and totaled 68,724. These were serviced by the answering points of various agencies or departments in the following approximate percentages:

	Percentage
Pigeon Forge Police Department	10.95%
Central Dispatch	89.05%
<u>TOTAL</u>	<u>100.00%</u>

NOTE 4 – EXPENSES –

The District's expenses incurred from AT&T other than normal telephone charges for the years ended June 30, 2008 and 2007 were as follows:

	2008	2007
Service Fee	\$142,718	\$163,994
Administration Fee of 1% of Net Revenues	4,035	4,148
Fax Monthly Line Expenses	7,214	6,532
<u>TOTAL</u>	<u>\$153,967</u>	<u>\$174,674</u>

NOTE 5 – CHANGES IN FIXED ASSETS –

The following is a summary of fixed assets at June 30, 2008:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Buildings	\$678,324	15,237	\$0	\$693,561
Less: Accumulated Depreciation – Buildings	(189,407)	(17,544)	0	(206,951)
Furniture and Fixtures	68,715	5,617	0	74,332
Less: Accumulated Depreciation – Furniture & Fixtures	(61,610)	(5,293)	0	(66,903)
Equipment	941,439	371,483	0	1,312,922
Less: Accumulated Depreciation – Equipment	(791,409)	(75,343)	0	(866,752)
Automobile	49,438	0	0	49,438
Less: Accumulated Depreciation – Automobile	(47,695)	(1,743)	0	(49,438)
<u>Total Net Fixed Assets</u>	<u>\$647,795</u>	<u>\$292,414</u>	<u>\$0</u>	<u>\$940,209</u>

NOTE 6 – RETIREMENT COMMITMENTS –

Plan Description – Employees of Sevier County 911 Emergency District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sevier County 911 Emergency District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy – Sevier County 911 Emergency District requires employees to contribute 5.0 percent of earnable compensation.

Sevier County 911 Emergency District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 12.52% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Sevier County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost – For the year ending June 30, 2008, Sevier County 911 Emergency District's annual pension cost of \$24,846 to TCRS was equal to Sevier County 911 Emergency District's required and actual contributions.

The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Sevier County 911 Emergency District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 14 years. An actuarial evaluation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Fiscal Year Ending	Annual Pension Cost (APC)	<u>Trend Information</u>	
		Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$24,846	100.00%	\$0.00
June 30, 2007	23,323	100.00%	0.00
June 30, 2006	18,396	100.00%	0.00

Funded Status and Funding Progress

As of July, 2007, the most recent actuarial valuation date, the plan was 78.82% funded. The actuarial accrued liability for benefits was \$0.54 million, and the actuarial value of assets was \$0.42 million, resulting in a funded actuarial accrued liability (UAAL) of \$0.12 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.18 million, and the ratio of the UAAL to cover the payroll was 61.83%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2007	\$428	\$543	\$115	78.82	\$186	61.83

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Sevier County 911 Emergency District, 88411

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2007	\$428	\$543	\$115	78.82%	\$186	61.83%

NOTE 7 – LOSS POLICY –

Sevier County Emergency Communications District incurs risk of loss from the following types of events:

- Torts
- Theft of, damage of, or destruction of assets
- Business Interruptions
- Errors or Omissions
- Job-Related Illness or Injuries to Employees
- Acts of God

It is the policy of Sevier County Emergency Communications District to retain membership in the Tennessee Municipal League Risk Management Pool (TML) that currently operates as a common risk management and insurance program for members. Sevier County Emergency Communications District pays an annual premium to TML for the following risk coverage's: General Liability, Law Enforcement Liability, Errors and Omissions, Employee dishonesty, Automobile Liability, Automobile Physical Damage, Workers Compensation, Employers Liability, and Official Statutory Blanket Bonds. TML agrees to provide coverage for the types of losses listed previously, in return for premiums paid. Sevier County Emergency Communications District retains the risk of loss only to the extent of the amount of policy deductibles.

There have been no significant reductions in policy coverage's in any major categories of risk. No settlements have exceeded policy coverage's in fiscal years 2006, 2007, and 2008

At present, there are no liabilities or loss contingencies because no information exists to indicate that an asset is (or will be) impaired. Therefore, no loss amount is required to be estimated, accrued or disclosed.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

SUPPLEMENTAL SCHEDULES

For the Year Ended June 30, 2008

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final			
Revenues					
Emergency Telephone Service Chg	(566,600)	(566,600)	(578,071)	(579,194)	12,594
* TECB - State Wireless Revenue	(303,900)	(303,900)	(164,197)	(161,871)	(142,029)
* TECB - Operating Revenue	-	-	(176,619)	(176,619)	176,619
TECB - Grants & Reimbursement	(128,000)	(128,000)	(162,267)	(162,267)	34,267
TECB - Maintenance Grant (Salary)	(10,000)	(10,000)	(10,000)	(10,000)	-
Interest Income	(5,000)	(5,000)	(39,271)	(39,271)	34,271
Other Revenue	(1,000)	(1,000)	(351)	(352)	(648)
Proceeds from CD	(401,600)	(401,600)	(242,905)	(242,905)	(158,695)
Total Revenues	(1,416,100)	(1,416,100)	(1,373,681)	(1,372,479)	(43,621)
Capital Outlay					
Furniture - Admin Office	5,000	5,000	417	417	4,583
PSAP Office Furniture	50,000	20,000	5,200	5,200	14,800
Admin office Equipment	6,000	6,000	833	833	5,167
Central Dispatch Office Equipment	5,000	40,000	37,429	37,429	2,571
EOC Equipment	1,000	1,000	-	-	1,000
Central Dispatch Comm. Equip.	623,000	623,000	332,104	328,866	294,134
GIS	35,000	9,000	78	78	8,922
Software	-	5,000	1,039	1,039	3,961
Dispatch Center Construction	-	16,000	15,237	15,237	763
Expenditures					
Payroll	230,200	227,200	199,014	199,547	27,653
Payroll Taxes	17,700	17,700	14,861	14,861	2,839
Health Insurance	36,800	36,800	27,840	27,840	8,960
Retirement	28,900	28,900	24,846	24,846	4,054
Maps	7,000	7,000	6,582	6,582	418
Advertising	500	500	308	306	194
Legal & Accounting	8,000	8,000	6,122	6,122	1,878
Administration Fees	9,000	9,000	8,876	8,876	124
E911 Service Fee	189,000	169,000	142,718	142,718	26,282
Janitorial	8,000	8,000	7,411	7,411	589
Map/Data Base Consultants	13,000	30,000	28,794	28,794	1,206
Professional Services	2,500	2,500	-	-	2,500
Pest Control	1,000	1,000	612	612	388
Repairs - Comm. Equipment	15,000	15,000	8,945	8,890	6,110
Repairs - Building & Grounds	9,500	9,500	8,735	8,975	525
Repairs - Office Equipment	2,000	2,000	954	1,097	903
Auto Repairs	3,000	3,000	743	743	2,257
Auto Fuel	4,000	4,000	1,307	1,308	2,692
Language Line	4,000	4,000	13	13	3,987
Office Supplies	5,000	5,000	2,378	2,720	2,280
PSAP Supplies	3,000	3,000	1,784	1,784	1,216
Postage	1,000	1,000	952	952	48
Utility - Electric	17,000	17,000	16,251	16,072	928
Utility - Water & Sewer	1,000	1,000	571	540	460
Telephone	15,000	15,000	11,292	11,292	3,708
Cell Phone & Pagers	1,500	1,500	1,178	1,138	362
PSAP Fax Lines	9,000	9,000	7,214	7,214	1,786
Generator Fuel	-	3,000	2,450	2,450	550
Board Meeting	3,000	3,000	2,120	2,140	860
Dues & Subscriptions	2,500	2,500	462	462	2,038
Workers Comp Insurance	1,500	1,500	680	733	767
Liability Insurance	9,000	9,000	6,501	6,606	2,394
Building Insurance	5,000	6,000	4,042	4,042	1,958
Equipment Insurance	2,000	2,000	-	-	2,000
Employee Dishonesty	3,000	3,000	1,917	1,917	1,083
Vehicle Insurance	1,500	1,500	954	954	546
Public Education	15,000	15,000	10,088	10,088	4,912
Seminars	6,000	8,000	125	125	7,875
Miscellaneous	1,000	1,000	-	-	1,000
Totals	1,416,100	1,416,100	951,977	949,869	466,231

* Budget was approved by board prior to State's requirement to separate TECB wireless and operating revenues.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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Sevierville, Tennessee

SCHEDULE OF DETAILED EXPENSES

For the Years Ended June 30, 2008 and 2007

OPERATING EXPENSES	2008	2007
<u>Salaries and Wages:</u>		
Director	61,991	59,973
Administrative Personnel	36,675	30,156
Technical Support Personnel	100,348	97,962
Total Salaries and Wages	199,014	188,091
<u>Employee Benefits:</u>		
Social Security	12,044	11,287
Medicare	2,817	2,640
Medical Insurance	27,840	27,840
Retirement Contributions	24,846	23,323
Total Employee Benefits	67,547	65,090
<u>Contracted Services:</u>		
Advertising	308	243
Accounting Services	6,122	6,237
Administrative Fees - Service Charge	151,595	172,041
Janitorial Expenses	7,411	7,235
Mapping/Data Base Consultants & Expenses	35,376	15,793
Maintenance and Repairs - Communications Equipment	8,957	6,485
Maintenance and Repairs - Buildings and Facilities	9,347	5,778
Maintenance and Repairs - Office Equipment	954	778
Maintenance and Repairs - Vehicles	743	12
Total Contracted Services	220,813	214,602
<u>Supplies and Materials:</u>		
Office Supplies	4,163	3,155
Postage	952	277
Utilities - Electric	16,251	14,285
Utilities - Water	571	540
General Telephone	11,292	12,421
Cell Phones and Pagers	1,178	1,136
Fax Lines for PSAPS	7,214	6,524
Total Supplies and Materials	41,621	38,338
<u>Other Charges:</u>		
Board Meeting Expenses	2,120	2,510
Dues and Memberships	462	993
Insurance - Worker's Compensation	679	706
Insurance - Liability	6,501	5,722
Insurance - Buildings and Contents	4,042	3,941
Insurance - Equipment	0	952
Insurance - Employee Dishonesty	1,917	1,917
Insurance - Vehicles	954	939
Fuel Expenses	3,757	0
Public Education	10,088	14,502
Training Expenses	125	125
Travel Expenses	0	854
Total Other Charges	30,645	33,161
Depreciation	99,923	103,239
<u>TOTAL OPERATING EXPENSES</u>	659,563	642,521

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2008

Liability:

TML Risk Management Pool (TML):

Bodily Injury, Property Damage and Personal Injury

Non-Tort Exposure

Automobile Bodily Injury and Property Damage Liability

Public Officials Personal Errors and Omissions Liability

Auto Physical Damage

Coverage:

\$300,000/700,000/100,000

\$1,000,000 per occurrence

\$300,000/700,000/100,000
(Includes uninsured motorist)

\$1,000,000 per occurrence

Uninsured Motorist
\$250,000 per occurrence

Property:

TML Risk Management Pool (TML):

Buildings and Personal Property

Crime Coverage – Employee/Forgery/Theft/Computer

\$1,507,044

\$100,000

Employee Dishonesty Bond:

TML Risk Management Pool (TML):

Chairman of the Board, Vice Chairman, Secretary, Treasurer,
Coordinator and Staff Secretary – Blanket Coverage

\$100,000 each

Workers' Compensation:

TML Risk Management Pool (TML):

Bodily Injury by Accident or Disease, Including Death

\$300,000
Policy Limit 700,000

SEVIER COUNTY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD
June 30, 2008

PUBLIC SAFETY ANSWERING POINTS (PSAP)

PRIMARY

Pigeon Forge Police Department
225 Pine Mountain Road
Pigeon Forge, TN 37863

Central Dispatch
245 Bruce Street
Sevierville, TN 37864

BACKUP

Sevierville Police Department
200 Gary Wade Blvd.
Sevierville, TN 37862

AUXILIARY

Sevier County Sheriff Department
106 W. Bruce Street
Sevierville, TN 37862

Gatlinburg Police Department
1230 East Parkway, Suite 1
Gatlinburg, TN 37738

Each of the primary, the backup and one of the auxiliary PSAP's uses Moducom Communication 911 Systems, and the AT&T ANI (Automatic Number Identification) and ALI (Address Location Identification) database. The other auxiliary PSAP (the Gatlinburg Police Department) uses a AT&T Enhanced 9-1-1 System and AT&T Position Equipment (issued).

Sevier County Emergency Communications District Coordinator:

Vince Loveday	Phone: (865) 428-5542
245 Bruce Street	Fax: (865) 429-4911
P. O. Box 4572	
Sevierville, TN 37864	

Sevier County Emergency Communications District Chairman:

Jack Baldwin, Chief of Police	Phone: (865) 453-9063
Pigeon Forge Police Department	Fax: (865) 453-7211
P. O. Box 1350	
Pigeon Forge, TN 37863	

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL

June 30, 2008

HICKMAN AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

517 Callahan Drive
Knoxville, TN 37912
Tel. (865)689-9598
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American Institute of
Certified Public Accountants

Member
Tennessee Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Sevier County Emergency Communications District
Sevierville, Tennessee

We have audited the financial statements of the Sevier County Emergency Communications District, a component unit of Sevier County, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sevier County Emergency Communications District's control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sevier County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sevier County Emergency Communication District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Sevier County Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sevier County Emergency Communication District's financial statements that is more than inconsequential will not be prevented or detected by the Sevier County Emergency Communication District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sevier County Emergency Communication District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, County Commission and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hackman and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2008